



**DATE:** December 8, 2020

**CATEGORY:** Consent

**DEPT.:** Finance and Administrative Services

**TITLE:** **Accept and File the Comprehensive Annual Financial Report and Related Auditor Reports**

### **RECOMMENDATION**

Accept and file the following reports pertaining to the fiscal year ended 2019-20:

- City of Mountain View's Comprehensive Annual Financial Report with Independent Auditor's Report
- Article XIII-B Appropriations Limit Agreed-Upon Procedures Report
- Report to the City Council – Required Communications

### **BACKGROUND**

In accordance with Section 1106 of the City Charter and Council Policy No. B-6, Mr. Benjamin Lau, Director, representing the City's independent auditor, Macias Gini & O'Connell, LLP (MGO), presented and discussed the results of MGO's annual audit of the City's financial records, along with MGO's observations, conclusions and findings, to the Council Finance Committee (CFC) on November 25, 2020. A copy of the CFC staff report is included as Attachment 5.

The presentation included an explanation of the various components of the Comprehensive Annual Financial Report (CAFR), highlighting the Independent Auditor's Report, Management's Discussion and Analysis, Notes to the Financial Statements and covered other information that is required by auditing standards to be communicated to the City's governing body (Attachment 4). It was noted that the Auditor's opinion was of the highest level possible and that there were no conflicts or other negative findings from this year's audit. The CFC discussed the audit results, which included various questions on the financial statement revenues and expenditures. The CFC then recommended that the City Council accept and file the CAFR at the December 8, 2020 Council meeting.

Due to the restrictions in place from the COVID-19 pandemic, these documents are available for public review on the Council Agenda page of the City's website at: [http://mountainview.gov/council/agendas/current\\_council\\_agendas.asp](http://mountainview.gov/council/agendas/current_council_agendas.asp).

## **ANALYSIS**

The City compiles a CAFR which is utilized by various organizations, including the State and credit rating agencies that monitor and rate the City's bond issues. Council action on this item will formally accept and file the CAFR and related auditor reports in order to comply with grant and other statutory requirements as well as for the benefit of investors and the public in general.

A detailed analysis of the General Operating Fund (GOF) audited results compared to Budget is included as Attachment 1. For Fiscal Year 2019-20, the City had a \$4.5 million year-end GOF balance, which was \$1.4 million less than the Adjusted Budget. This analysis also shows the GOF balance allocations as adopted by Council in the Fiscal Year 2020-21 Adopted Budget. The allocations fund City needs, including limited-period expenditures, the Compensated Absences Reserve, and the General Fund Reserve.

## **Report on Compliance with Article XIII-B – Appropriations Limit**

Article XIII-B of the State Constitution, also known as the Gann Amendment, established an annual appropriations limit for governmental entities and specified certain indicators to be used in calculation the annual appropriations limit increase. The appropriations limit calculation for Fiscal Year 2019-20 is \$280,296,313. The appropriations subject to limitation total is \$105,145,785; accordingly, the City is significantly under the Constitutional limit on appropriations funded from taxes. The auditor performed certain agreed-upon procedures on the calculation, and their report is included as Attachment 3.

## **FISCAL IMPACT**

Accepting the CAFR and related reports from the independent auditor does not have a fiscal impact to the City.

## **ALTERNATIVES**

1. Do not accept the CAFR and auditor's reports.
2. Provide other direction.

**PUBLIC NOTICING** – Agenda posting.

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525-12-08-20CR-1  
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- Attachments:
1. Analysis of Fiscal Year 2019-20 Audited Financial Results for the General Operating Fund
  2. Comprehensive Annual Financial Report and Independent Auditor's Reports
  3. Article XIII-B Appropriations Limit
  4. Report to the City Council – Required Communications
  5. Council Finance Committee Staff Report Dated November 25, 2020